

Nala Local Municipality

Financial statements
for the year ended 30 June 2006

A handwritten signature or mark, possibly a stylized 'N' or 'M', located in the bottom right corner of the page.

Nala Local Municipality**Financial statements***for the year ended 30 June 2006*

| Contents | Page |
|--|-------------|
| General information | 1 – 2 |
| Approval of the financial statements | 3 |
| Foreword to the financial statements | 4 |
| Report of the Auditor-General | 5 |
| Treasurer's report | 6 – 11 |
| Accounting policy | 12 – 16 |
| Balance sheet | 17 |
| Income statement | 18 |
| Cash flow statement | 19 |
| Notes to the financial statements | 20 – 26 |
| Appendix A: Statutory funds, trust funds and reserves | 27 |
| Appendix B: External loans | 28 – 29 |
| Appendix C: Analysis of fixed assets | 30 – 33 |
| Appendix D: Analysis of operating income and expenditure | 34 |
| Appendix E: Detailed income statement | 35 – 36 |
| Appendix F: Statistical information | 37 – 38 |

Nala Local Municipality

General information

for the year ended 30 June 2006

Grading of local authority

Medium capacity

Auditors

Auditor-General

Bankers

First National Bank, Bothaville
Account number: 62025990765

Registered office

Physical address:

Municipal Buildings
9 Preller Street
Bothaville
9660

Postal address:

Private Bag X15
Bothaville
9660

Telephone number:

056 – 514 9200

Fax number:

056 – 515 3922

Nala Local Municipality

General information

for the year ended 30 June 2006 (continued)

Municipal Manager

Mr M.P Thithi

Town Treasurer

Mr D.K. Shongwe

Members of the Nala Local Council

Executive Committee

M.S Mabaso
D.A Mahalapa
D.C Ross
R.D Mpatane
M.N Mashiya
M.M Mohorosi

Non-executives

T.A Mogoje
M.R. Lenake
F.D. Maphisa
K.J. Maselo
M.S. Sebokolodi
T.F. Ntshabiseng
D.J. Kulashe
M.A. Nyamane
M.M. Mpesi
S le Roux
M.E. Liphane
T.L. Moshodi
Z.S. Sikade
D.M. Masisi
M.M. Stander
J.M. Mabeleng
E.M. Molutsi

Mayor

Ms M.M Mohorosi

Map of the Nala Local Municipality

A map of the local authority is available on request at the council's offices.

Nala Local Municipality**Approval of the financial statements***for the year ended 30 June 2006*

The annual financial statements set out on pages 6 to 38 were approved by the Municipal Manager on 28 February 2007 and presented to and approved by the council on 28 February 2007


.....
Municipal Manager
.....
Town Treasurer

Nala Local Municipality

Foreword to the financial statements

for the year ended 30 June 2006

Introduction

During the 2005/06 financial year good progress has been made by Nala Municipality in an attempt to provide services to its community with the limited resources available. It becomes increasingly difficult to maintain or better the services with the limited revenue sources. We strive to provide services on a more businesslike basis. However, our income sources have come under tremendous pressure as a result of the protracted recession.

Financial results

Although a significant effort has been made to curb the expenses incurred by Nala Municipality by managing our expenses effectively, a huge effort must be made to encourage the community to pay the levies due to the council. The current budget is a necessarily austere one. We have a duty to do everything possible to spare ratepayers and users of municipal services the steep rises in rates and tariffs that would be the result of simply passing on all inflationary cost increase.

Financial assistance

Government is increasingly seeking to devolve additional responsibilities to local government, and this is a challenge for our financial resources. Our infrastructure is coming under further strain. Without the assistance of the Central Government, the survival of Nala Municipality would have been difficult.

The majority of capital projects are dependent on external grants and subsidies. The assistance of the Lejweleputswa Area District Council must be mentioned in this regard. Without their assistance of providing projects to sustain the services the community would have endured lesser quality services.

Appreciation

In conclusion I would like to express my appreciation to the Executive Committee, the Municipal Manager and staff for their support, co-operation and hard work.

.....
Mayor

Nala Local Municipality

Report of the Auditor-General

for the year ended 30 June 2006

The Auditor-General will issue its report upon finalisation of the audit.



Nala Local Municipality

Treasurer's report

for the year ended 30 June 2006

It is a pleasure to present this report for the 2005/2006 financial year.

1. Operating Results

Details of the operating results per department, classification and object of expenditure are included in Appendices D and E. The applicable statistics are shown in Appendix F. The overall operating results for the year ended 30 June 2006 are detailed below:

| Income | Actual 2005 R | Actual 2006 R | Variance 2005/2006 % | Budget 2006 R | Variance Actual / Budget % |
|----------------------------|---------------------|---------------------|----------------------------|---------------------|-------------------------------------|
| Income for the year | 92,038,653 | 127,913,803 | 39 | 85,986,367 | 49 |
| Closing deficit | 32,103,537 | 42,556,883 | 33 | - | |
| | <u>124,142,190</u> | <u>170,470,686</u> | <u>37</u> | <u>85,986,367</u> | <u>49</u> |
| Expenditure | | | | | |
| Operating deficit | 25,645,530 | 32,103,537 | 25 | - | |
| Expenditure for the year | 99,057,245 | 138,367,150 | 40 | 85,941,744 | 61 |
| Appropriation for the year | (560,585) | - | (100) | | |
| | <u>124,142,190</u> | <u>170,470,687</u> | <u>37</u> | <u>85,941,744</u> | <u>61</u> |

Nala Local Municipality

Treasurer's report

for the year ended 30 June 2006 (Continued)

1.1 Rates and general services

| | Actual 2005 R | Actual 2006 R | Variance 2005/2006 6 % | Budget 2006 R | Variance Actual / Budget % |
|--|---------------------|---------------------|---------------------------------|---------------------|-------------------------------------|
| Income | 42,348,008 | 54,542,380 | 29 | 15,449,937 | 253 |
| Expenditure | (64,386,034) | (110,942,654) | 72 | (28,485,612) | 289 |
| Surplus (deficit) | 22,038,026 | 165,485,034 | 651 | 43,935,549 | |
| Surplus (deficit) as % of total income | 52 | (203) | | (184) | |

1.2 Subsidized service

| | | | | | |
|---------------------------------|---------------|--------------|------|--------------|-----|
| Income | 17,803,343 | 25,261,714 | 30 | 15,199,359 | 66 |
| Expenditure | (170,221,333) | (53,812,313) | (2) | (14,788,634) | 264 |
| Surplus | (152,417,990) | (28,550,599) | (81) | 410,725 | |
| Surplus as % of total income | 4 | (213) | | (97) | |

Nala Local Municipality

Treasurer's report

for the year ended 30 June 2006 (Continued)

1.3 Trading services

The price for the purchase of electricity and water are subject to the announced tariffs. The tariffs levied should be based on the operating expenditure of the services. The following is a summary of the operating results of the municipality's trading services, which reflects surpluses in respect of both these accounts.

| Electricity Services | Actual 2005 R | Actual 2006 R | Variance 2005/2006 % | Budget 2006 R | Variance Actual / Budget % |
|---|---------------------|---------------------|----------------------------|---------------------|-------------------------------------|
| Income | 22,322,545 | 31,529,847 | 30 | 23,544,720 | 34 |
| Expenditure | (14,183,247) | (17,113,626) | (2) | 18,862,766 | (191) |
| Surplus (deficit) | 8,139,298 | 14,416,222 | 77 | 4,681,954 | |
| Surplus (deficit) as % of total income. | 4 | (54) | | 80 | |
| Water Services | | | | | |
| Income | 27,368,100 | 41,841,575 | 30 | 10,667,707 | 292 |
| Expenditure | (20,487,964) | 10,310,869 | (2) | (7,933,879) | (230) |
| Surplus (deficit) | 6,880,136 | 52,152,445 | 27 | 2,733,828 | |
| Surplus (deficit) as % of total income. | 4 | 25 | | (74) | |

Nala Local Municipality

Treasurer's report

for the year ended 30 June 2006 (Continued)

2. Capital Expenditure and financing

The total capital expenditure of fixed assets during the year under review amounted to R 613 069. This is 1% less compared to the previous year. The actual capital expenditure is more than the budgeted capital expenditure and consists of the following:

| | 2005 Actual R | 2006 Budget R | 2006 Actual R |
|------------------------------------|---------------------|---------------------|---------------------|
| Council General | 370,709 | 220,000 | - |
| Traffic and security | 44,910 | 284,000 | - |
| Health | - | 80,000 | - |
| Sports and recreation | 30,410 | 125,000 | - |
| Roads and Streets | 5,059,310 | 1,251,000 | - |
| Sewerage and sanitation | 4,887,337 | 500,000 | - |
| Cemetery | 81,567 | - | 151,979 |
| Financial service-Head | 563,132 | 382,000 | 50,531 |
| Corporate service-Administration | 1,016,680 | 77,000 | - |
| Financial service-Budget | - | - | - |
| Financial service-Stores | - | - | - |
| Technical service-Head | - | - | 284,223 |
| Municipal Manager | 8,205 | - | - |
| Civil and buildings | - | 350,000 | - |
| Housing | - | 20,000 | 105,384 |
| Electricity service | 120,891 | 1,070,000 | - |
| Water service | 314,565 | 35,000 | - |
| Special project - LED | 16,899 | - | - |
| Special project- Youth development | 27,372 | - | 20,953 |
| Total | 12,541,987 | 4,394,000 | 613,070 |

The expenditure was financed as follows:

| | 2005 Actual R | 2006 Budget R | 2006 Actual R |
|---------------------------------|---------------------|---------------------|---------------------|
| Contributions-Operating account | 855,370 | - | - |
| Grants and subsidies | 10,237,291 | - | - |
| Total | 12,066,277 | - | - |

Nala Local Municipality

Treasurer's report

for the year ended 30 June 2006 (Continued)

3. External Loans, Investment and cash

External loans outstanding as at 30 June 2006 amounted to R515 9515 and are detailed in Appendix B. External loans and interest in arrears as at 30 June 2006 amounted to R 11 729 024. Repayment of external loans amounted to R 620 417.

| | R |
|-----------------|----------------|
| Capital-current | 195,786 |
| Capital-arrears | 38,997 |
| Interest | <u>385,634</u> |
| | <u>620,417</u> |

Investments and cash consist of the following:

| | |
|----------------------|--------------------|
| Current bank account | (7,776,987) |
| Investment | <u>795,593</u> |
| | <u>(6,981,394)</u> |

More information regarding loans, external investments and cash are disclosed in note 4, 12 and Appendix B to the financial statements.

4. Funds, reserves and provisions

The total funds of the council amounted to R23 864 522 as at 30 June 2006. More information regarding funds and reserves are disclosed in notes 1, 2, 3 and 11 and Appendix A to the financial statements.

| | R |
|-----------------|-------------------|
| Statutory funds | 17,366,285 |
| Trust funds | 1,658,407 |
| Reserves | 598,595 |
| Provisions | <u>4,487,193</u> |
| | <u>24,110,480</u> |

These funds are not represented by investments with financial institution

Nala Local Municipality

Treasurer's report

for the year ended 30 June 2006 (Continued)

5. Post balance sheet events

There have not arisen any items, transaction or events of a material or unusual nature likely to affect significantly the operations of the municipality or its results in the current or future financial years.

6. Going concern

The municipality's financial statements have been prepared on the going concern basis which assumes that the Government will continue to fund the municipality and that it will be able to meet its future obligations and commitments in the ordinary course of business. Accordingly these financial statements do not include any adjustments relating to the valuation of assets or the classification of liabilities that might be necessary should the municipality be unable to continue as a going concern.

7. Appreciation

I am grateful to the Mayor, Speaker, the Municipal Manager and all office staff for the support they have given me and to the staff of my own office.



DK Shongwe
Treasurer

28 February 2007

Nala Local Municipality

Accounting policy

for the year ended 30 June 2006

1. Basis of presentation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local authorities (Second editions – January 1996 as amended).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
 - Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as traffic fines and certain licences.
 - Expenditure is accrued in the year it is incurred.

2. Consolidation

The financial statements include the Rates and General services, Housing services, Trading services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity, water and premiums charged by the insurance fund, which are treated as income and expenditure in the respective departments.

Nala Local Municipality

Accounting policy

for the year ended 30 June 2006 (continued)

3. Fixed assets

3.1 Fixed assets are stated:

- At historical cost, or
- At valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation; however, certain structural differences do exist. By way of the "Provision" assets are written down over their estimated useful life. Apart from advances from various council funds, assets may also be acquired through:

- Appropriation from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation where the amount representing the value of such grants or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3 All net proceeds from the sale of fixed property are credited to the Erven Trust fund. Net proceeds from the sale of all other assets are credited either to the Special capital fund or the Capital development fund.

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Inventory

Inventory (stores and materials) is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

Nala Local Municipality

Accounting policy

for the year ended 30 June 2006 (continued)

5. Funds and reserves

5.1 Capital development fund

The Capital development fund ordinance no. 40 of 1962, requires a minimum contribution of 1, 0% of the defined income for the immediately preceding financial year.

5.2 Leave reserve fund

The general fund is maintained to cover claims that may occur. Contributions are charged to the respective services, taking into account past claims and replacement value of the total days leave payable to employees. Re-evaluation is carried out at regular intervals.

5.3 Bonus reserve fund

The general fund is maintained to cover claims that may occur. Contributions are charged to the respective services, taking into account the total days payable to employees. Re-evaluation is carried out at regular intervals.

5.4 Bad debts reserve

Contributions from the revenue account are made to build up a bad debts reserve for the future loss in respect of bad debts. This fund will be utilised when council approval is given for the writing off of bad debts.

Nala Local Municipality

Accounting policy

for the year ended 30 June 2006 (continued)

6. Retirement benefits

Nala Local Municipality and its employees contribute to the SALA Pension Fund and other employees of Nala Local Municipality contribute to the Free State Provident Fund, which provides retirement benefits to such employees. The retirement benefit plan is subject to the Pension Funds Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan. Full actuarial valuations are performed at least every three years.

7. Surpluses and deficits

Any surpluses or deficits arising from the operation of the Electricity and Water services are transferred to Rate and General Services. There are no closed accounts and therefore no surplus or deficit is retained in that service for its own use.

8. Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1990).

9. Leased assets

Fixed assets held under finance lease are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged against the operating account in a systematic manner to the period of use of the assets concerned.

Nala Local Municipality

Accounting policy

for the year ended 30 June 2006 (continued)

10. Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per Circular issued by the Provincial Legislature.

11. Deferred charges

There are at present no deferred charges, but if accrued, the balance outstanding of the cost incurred in raising loans on the capital market, will be recovered from the operating income over the periods of the various loans involved.

12. Income recognition

12.1 Electricity and water billing

Meters in industrial areas, premises with high-tension supplies, high density residential areas and certain selected residential areas are read and billed monthly.

Meters on all other properties are read monthly and are provisionally billed monthly with the necessary adjustments being made.

12.2 Assessment rates

Bothaville and Wesselsbron Municipality levy assessment rates based on the value of the property. The value of the property consists of the land and improvements. Rebates are granted to state properties, according to the percentage council agrees on.

Kgotsoeng and Monyakeng do not levy assessment rates based on the value of the property, because no valuations exist. In terms of the council resolutions, assessment rates are levied at a fixed amount and are not based on the value of property.

Nala Local Municipality

Balance Sheet

as at 30 June 2006

| | Note | 2006 R | 2005 R |
|--|------|---------------------|--------------------|
| CAPITAL EMPLOYED | | | |
| FUNDS AND RESERVES | | 17,964,880 | 17,964,880 |
| Statutory funds | 1 | 17,366,285 | 17,366,285 |
| Reserves | 2 | 598,595 | 598,595 |
| Accumulated deficit | | (42,556,884) | (32,103,537) |
| | | (24,592,004) | (14,138,657) |
| Trust funds | 3 | 1,658,407 | 1,658,407 |
| Long term liabilities | 4 | 4,506,790 | 4,506,790 |
| Consumer deposits | 5 | 900,900 | 774,361 |
| | | <u>(17,525,907)</u> | <u>(7,199,099)</u> |
| EMPLOYMENT OF CAPITAL | | | |
| Fixed Assets | 6 | 6,158,023 | 5,544,954 |
| Investments | 7 | 795,593 | 592,338 |
| Long term debtors | 8 | - | - |
| | | <u>6,953,616</u> | <u>6,137,292</u> |
| Net current assets | | (24,479,523) | (13,336,391) |
| Current assets | | 28,815,150 | 23,663,571 |
| Inventory | 9 | 151,446 | 295,682 |
| Debtors | 10 | 28,663,704 | 21,632,732 |
| Bank and Cash | | - | 1,662,567 |
| Short term portion of long term debtors | 8 | - | 72,590 |
| Current Liabilities | | 53,294,673 | 36,999,962 |
| Provisions | 11 | 4,487,193 | 4,241,238 |
| Creditors | 12 | 40,377,768 | 32,105,999 |
| Short-term portion long-term liabilities | 4 | 652,725 | 652,725 |
| Bank overdraft | | 7,776,987 | - |
| | | <u>(17,525,907)</u> | <u>(7,199,099)</u> |

Nala Local Municipality

Income statement
for the year ended 30 June 2006

| Actual Revenue 2005 R | Actual Expenditure 2005 R | Surplus/ (Deficit) 2005 R | | Actual Revenue 2006 R | Actual Expenditure 2006 R | Surplus/ (deficit) 2006 R | Budget surplus/deficit 2006 R |
|--------------------------------|------------------------------------|------------------------------------|---------------------------|--------------------------------|------------------------------------|------------------------------------|--|
| 42,348,008 | 64,386,034 | (22,038,026) | Rates and general service | 54,542,380 | 110,942,654 | (56,400,274) | 14,386,825 |
| 14,214,508 | 36,075,528 | (21,861,020) | Community Services | 22,337,322 | 43,695,153 | (21,357,831) | (10,075,693) |
| 17,803,343 | 17,022,113 | 781,230 | Subsidised Services | 25,261,714 | 53,812,313 | (28,550,599) | 13,637,791 |
| 10,330,157 | 11,288,393 | (958,236) | Economic Services | 6,943,344 | 13,435,188 | (6,491,844) | 10,824,727 |
| 49,690,645 | 34,671,211 | 15,019,434 | Trading Services | 73,371,423 | 27,424,495 | 45,946,928 | 9,993,128 |
| 92,038,653 | 99,057,245 | (7,018,592) | Total | 127,913,803 | 138,367,149 | (10,453,346) | 24,379,953 |

| | |
|--------------|---|
| 560,585 | Appropriation for the year |
| (6,458,007) | Net surplus/(deficit) for year |
| (25,645,530) | Retained deficit at the beginning of the year |
| (32,103,537) | Accumulated deficit At end of the year |

| | |
|--------------|--|
| - | |
| (10,453,346) | |
| (32,103,537) | |
| (42,556,883) | |

Nala Local Municipality

Cash flow Statement

for the year ended 30 June 2006

| | Note | 2006 R | 2005 R |
|--|------|-------------------|-------------------|
| CASH RETAINED FROM OPERATING ACTIVITIES | | 10,245,197 | 19,067,719 |
| Cash generated | | 10,245,197 | 19,496,037 |
| Cash generated by operations | 18 | (5,201,780) | 6,373,357 |
| Investment income | 16 | - | 157,613 |
| (Increase) / decrease in working capital | 19 | 15,446,977 | 12,965,067 |
| Less: External interest paid | 16 | - | (428,318) |
| Cash available from operations | | 10,245,197 | 19,496,037 |
| CASH UTILISED IN INVESTING ACTIVITIES | | | |
| Proceeds from sale of fixed assets | | - | 175,898 |
| Investment in fixed Assets | | (613,069) | (11,092,660) |
| NET CASH FLOW | | 9,632,128 | 8,150,957 |
| Cash effects of financing activities | | | |
| Decrease/ (increase) in external long term loans | 20 | - | 691,062 |
| Increase / (decrease) in external cash investments | 21 | 203,255 | 131,713 |
| (Increase) / decrease in cash on hand | 22 | 9,428,873 | 7,328,182 |
| Net cash generated | | 9,632,128 | 8,150,957 |

Nala Local Municipality

Notes to the Financial Statements

for the year ended 30 June 2006

| | 2006 R | 2005 R |
|--|-------------------|-------------------|
| 1. Statutory Funds | | |
| Capital Development Fund | 11,797,774 | 11,797,774 |
| Erven Development Fund | 5,568,511 | 5,568,511 |
| | <u>17,366,285</u> | <u>17,366,285</u> |
| These funds are not represented by investments with financial Institutions. | | |
| Restatement of Erven trust fund: | | |
| Opening balance | 5,568,511 | 7,598,772 |
| Restatement | | (2,282,594) |
| Movement for the year | | 252,333 |
| | <u>5,568,511</u> | <u>5,568,511</u> |
| 2. Reserves | | |
| Study Loan Fund | 50,378 | 50,378 |
| Taxation and General Services | 74,891 | 74,891 |
| Handling Services | 590 | 590 |
| Vehicle and Tourist Replacement Reserve | 413,926 | 413,926 |
| Loss of Rental Reserve | 8,742 | 8,742 |
| Germ Skap Fasil Scheme 5 | 1,224 | 1,224 |
| Germ Skap Fasil Scheme 4 | 6,597 | 6,597 |
| Social Service Building | 839 | 839 |
| Disaster Fund | 2,798 | 2,798 |
| Construction Fund | 34,466 | 34,466 |
| Stabilization Fund | 4,144 | 4,144 |
| | <u>598,595</u> | <u>598,595</u> |
| These funds are not represented by investments with financial Institutions. (Refer to Appendix A for more details) | | |
| 3. Trust funds | | |
| Replacement Fund | 202,650 | 202,650 |
| Loan Redemption Fund | 219,248 | 219,248 |
| Donations | 661 | 661 |
| Endowment fund | 1,235,848 | 1,235,848 |
| | <u>1,658,407</u> | <u>1,658,407</u> |

These fund are not represented by investments with financial institutions. (Refer to Appendix A for more details)

Nala Local Municipality

Notes to the Financial Statements

for the year ended 30 June 2006 (Continued)

| | 2006 R | 2005 R |
|--|----------------------|----------------------|
| 4. Long term liabilities | 5,159,515 | 5,159,515 |
| External loans | 5,159,515 | 5,159,515 |
| Motor vehicle lease | - | - |
| Less: Short term portion transferred to current liabilities | (652,725) | (652,725) |
| External loans | (652,725) | (652,725) |
| Motor vehicle lease | - | - |
| | <u>4,506,790</u> | <u>4,506,790</u> |
| (Refer to Appendix B for more detail on long term liabilities) | | |
| 5. Consumer deposits | | |
| Electricity and water | <u>900,900</u> | <u>774,361</u> |
| 6. Fixed assets | | |
| Beginning of the year | 144,472,810 | 133,570,819 |
| Capital expenditure during the year | 613,069 | 11,092,661 |
| Less: Assets written off, transferred or disposed of during the year | - | (190,670) |
| Total fixed assets | 145,085,879 | 144,472,810 |
| Less: loans redeemed and other capital receipts | <u>(138,927,856)</u> | <u>(138,927,856)</u> |
| Net fixed assets | <u>6,158,023</u> | <u>5,544,954</u> |
| (Refer to Appendix C and Section 2 of the Treasurers Report for more detail) | | |
| 7. Investments | | |
| Unlisted | | |
| Senwes | 35,106 | 25,265 |
| Old mutual | 760,487 | 567,073 |
| Total investments | <u>795,593</u> | <u>592,338</u> |
| Management's valuation of unlisted and investment | | |
| Unlisted investments | <u>795,593</u> | <u>592,338</u> |

Nala Local Municipality

Notes to the Financial Statements

for the year ended 30 June 2006 (Continued)

| | 2006 R | 2005 R |
|---|--------------|--------------|
| 8. Long Term Debtors | | |
| Motor Loan- Mr. Tokwane | - | 18,990 |
| Staff loans and advances | - | 53,600 |
| | - | 72,590 |
| Less: Short-term portion of long-term debtors transferred to current assets | - | (72,590) |
| 9. Inventory | | |
| Inventory represents consumables and raw materials. Where necessary specific provision is made for obsolete inventory | 151,446 | 295,682 |
| 10. Debtors | | |
| | 76,682,822 | 64,786,613 |
| Current debtors (other) | (1,166,946) | 47,305,621 |
| Grants to be received | 6,845,096 | 4,334,938 |
| Deposits not yet allocated | (19,293) | (8,743,247) |
| | 82,341,679 | 107,683,925 |
| Less: Provision for bad debts | (53,677,975) | (86,051,193) |
| | 28,663,704 | 21,632,732 |
| 11. Provisions | | |
| Audit fees | 1,350,000 | 1,050,000 |
| Bonus provision | 968,026 | 772,883 |
| Leave reserve | 1,996,596 | 2,245,784 |
| Valuation Roll | 172,571 | 172,571 |
| Provision for bad debts | 53,677,975 | 86,051,193 |
| Less: provision allocated to debtors (refer note 10) | (53,677,975) | (86,051,193) |
| | 4,487,193 | 4,241,238 |
| (Refer to appendix A for more detail) | | |

Nala Local Municipality

Notes to the Financial Statements

for the year ended 30 June 2006 (Continued)

| | 2006 R | 2005 R |
|---|-------------------|-------------------|
| 12. Creditors | | |
| Trade creditors | 33,863,399 | 11,831,764 |
| Arrear capital outstanding on external loans | 2,141,541 | 2,182,254 |
| Arrear interest outstanding on external loans | 2,912,874 | 9,546,770 |
| Grants not utilized for projects | 81,824 | 81,824 |
| Salary sundry creditors | 1,144,119 | 928,739 |
| Vat Payable | 234,011 | 7,534,648 |
| | <u>40,377,768</u> | <u>32,105,999</u> |

| 13. Assessment rates | Actual Income 2005 R | Actual Income 2005 R |
|-----------------------------------|----------------------------|----------------------------|
| Bothaville and Wesselsbron | | |
| Residential | 9,047,362 | 9,047,362 |
| Commercial | 2,007,708 | 2,007,708 |
| State | 206,458 | 206,458 |
| | <u>11,261,528</u> | <u>11,261,528</u> |

Valuations on land are performed every five year and the last general valuation came into effect 01 September 2003.

| | | |
|--|------------------|------------------|
| 14. Councillors 's remuneration | | |
| Mayors allowances | 326,020 | 251,212 |
| Speakers allowances | 260,810 | 208,793 |
| Councilors allowances | 1,760,544 | 813,713 |
| Councilors pension fund contribution | 432,796 | 335,714 |
| Executive committee allowances | 537,932 | 371,093 |
| | <u>3,318,102</u> | <u>1,980,525</u> |

| | | |
|-----------------------------------|------------------|------------------|
| 15. Auditor's remuneration | | |
| Audit Fees | 1,350,000 | 1,050,000 |
| Under provision | - | - |
| | <u>1,350,000</u> | <u>1,050,000</u> |

Nala Local Municipality

Notes to the Financial Statements

for the year ended 30 June 2006 (Continued)

| | 2006 R | 2005 R |
|--|---------------------|---------------------|
| 16. Financial transactions | | |
| <i>Total external interest earned and paid:</i> | | |
| Interest earned | - | 157,613 |
| Bank overdraft | 7,776,987 | 87,113 |
| External loans | | 341,205 |
| | <u>7,776,987</u> | <u>428,318.00</u> |
| <i>Capital charges debited to operating account:</i> | | |
| Interest-External | - | 341,205 |
| Interest-Internal | - | - |
| Redemption-External | - | 234,785 |
| Redemption-Internal | - | - |
| | <u>-</u> | <u>575,990</u> |
| 17. Accumulated Deficit | | |
| Appropriation Account | | |
| Acc.Surplus/(Deficit) begin of year | (32,103,537) | (25,645,530) |
| Operating surplus/(deficit) for year | (10,453,347) | (7,018,592) |
| Appropriation for the year | | |
| Prior year adjustment | - | 560,585 |
| Accumulated surplus / (deficit): end of year | <u>(42,556,884)</u> | <u>(32,103,537)</u> |
| Operating account | | |
| Movement in Bonus provision | 195,143 | (63,645) |
| Movement in Audit fee provision | 150,000 | 295,000 |
| Movement in Capital development fund | 1,095,873 | 1,095,873 |
| Capital expenditure | 855,369 | 855,369 |
| Movement in Leave reserve fund | 609,577 | (170,499) |
| Movement in Provision for bad debts | (32,373,218) | 16,558,233 |
| | <u>(29,812,399)</u> | <u>18,570,331</u> |

Nala Local Municipality

Notes to the Financial Statements

for the year ended 30 June 2006 (Continued)

| | 2006 R | 2005 R |
|---|--------------------|-------------------|
| 18. Cash generated by operations | | |
| (Deficit)/Surplus for year | (10,453,347) | (7,018,592) |
| Previous year's operating transactions | - | 560,585 |
| Finance charges | - | 428,318 |
| Appropriation charged against income | 859,024 | 1,836,227 |
| -Capital development Fund | - | 920,000 |
| -Fixed assets | 613,069 | 855,370 |
| -Provisions | 245,955 | 60,857 |
| Capital charges | | |
| -Loans redeemed and advances paid-External | - | 234,783 |
| Investment income | - | (157,613) |
| Donation and subsidies | 4,367,076 | 10,237,291 |
| Profit on disposal of property, plant and equipment | - | (175,898) |
| Non-trade expenditure | | |
| -Expenditure charged to provisions and reserves | 25,467 | 428,256 |
| | <u>(5,201,780)</u> | <u>10,566,819</u> |
| 19. Increase/(decrease) in working capital | | |
| Increase in debtors, long term debtors | 7,030,972 | (5,646,686) |
| Increase in creditors, consumer deposits | 8,271,769 | 18,732,373 |
| (Increase) /decrease in inventory | 144,236 | (120,620) |
| | <u>15,446,977</u> | <u>12,965,067</u> |
| 20. Decrease/(increase) in external long term loans | | |
| Loans repaid | - | 691,062 |
| 21. Increase/(decrease) in external cash investments | | |
| Investment realized | - | - |
| Investment made | 203,255 | 131,713 |
| | <u>203,255</u> | <u>131,713</u> |

Nala Local Municipality

Notes to the Financial Statements

for the year ended 30 June 2006 (Continued)

| | 2006 | 2005 |
|--|--------------------|--------------------|
| | R | R |
| 22. Increase / (decrease) in cash on hand | | |
| Cash Balance at the beginning of the year | 1,651,886 | (5,676,294) |
| Cash Balance at the end of the year | (7,776,987) | 1,651,886 |
| Movement in cash for the year | <u>(9,428,873)</u> | <u>(7,328,180)</u> |

23. Retirement benefits

Nala Municipality and its employees contribute to the Free State Municipality Pension Fund and the Free State Municipality Retirement Fund.

The retirement benefits plan is subject to the Pension Fund Act with pensions being calculated on the final pensionable remuneration paid.

24. Contingent liabilities and contractual obligations

Provision for leave as at 30 June 2006 amounts to 1 996 596
The council adopts a policy to carry a provision of 100% of the outstanding amount.

25. Prior year figures

Prior year figures have been reclassified where necessary.

26. Statistical information

(Refer to Appendix F for more detail)

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Appendix A

Statutory funds, trust funds and reserves

| | Balance at 30 June 2005 R | Contributions during the year R | Interest on investments R | Restatements R | Operating expenditure during the year R | Capital expenditure during the year R | Balance at 30 June 2006 R |
|--|------------------------------------|--|---------------------------------|--------------------|---|---|------------------------------------|
| Statutory funds | | | | | | | |
| Capital development fund | 10 701 851 | 938 310 | 157 613 | - | - | - | 11 797 774 |
| Erven Trust Fund | 7 598 772 | 252 333 | - | (2 282 594) | - | - | 5 568 511 |
| | <u>18 300 623</u> | <u>1 190 643</u> | <u>157 613</u> | <u>(2 282 594)</u> | <u>-</u> | <u>-</u> | <u>17 366 285</u> |
| Trust funds | | | | | | | |
| Loan Redemption fund | 219 248 | - | - | - | - | - | 219 248 |
| Replacement Funds | 202 650 | - | - | - | - | - | 202 650 |
| Endowment Fund | 1 235 848 | - | - | - | - | - | 1 235 848 |
| Donations | 661 | - | - | - | - | - | 661 |
| | <u>1 658 407</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1 658 407</u> |
| Reserves | | | | | | | |
| Study Loan Funds | 50 378 | - | - | - | - | - | 127 478 |
| Loss of Rental Reserve | 8 742 | - | - | - | - | - | 22 122 |
| Gem Skap Fasil Scheme 5 | 1 224 | - | - | - | - | - | 3 097 |
| Gem Skap Fasil Scheme 4 | 6 597 | - | - | - | - | - | 16 693 |
| Social Service Building | 839 | - | - | - | - | - | 2 123 |
| Ramp Funds | 2 798 | - | - | - | - | - | 7 080 |
| Construction Fund | 34 466 | - | - | - | - | - | 87 214 |
| Stabilisation Fund | 4 144 | - | - | - | - | - | 10 486 |
| Taxation and General Services | 74 891 | - | - | - | - | - | 189 506 |
| Handling Services | 590 | - | - | - | - | - | 1 493 |
| Vehicle and Tourist Replacement Reserve | 413 926 | - | - | - | - | - | 1 047 410 |
| | <u>598 595</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1 514 702</u> |
| Provisions | | | | | | | |
| Audit fees | 755 000 | 1 542 849 | - | - | (1 247 849) | - | 1 050 000 |
| Bonus reserve | 836 528 | 1 770 277 | - | - | (1 833 922) | - | 772 883 |
| Leave reserve | 2 416 282 | (170 498) | - | - | - | - | 2 245 784 |
| Valuation Roll | 172 571 | - | - | - | - | - | 172 571 |
| Provision for bad debts | 69 492 960 | 16 558 233 | - | - | - | - | 86 051 193 |
| Less: Provision allocated to Debtors (refer note 10) | (69 492 960) | (16 558 233) | - | - | - | - | (86 051 193) |
| | <u>4 180 381</u> | <u>3 142 628</u> | <u>-</u> | <u>-</u> | <u>(3 081 771)</u> | <u>-</u> | <u>4 241 238</u> |
| Total | <u>24 738 006</u> | <u>4 333 271</u> | <u>157 613</u> | <u>(2 282 594)</u> | <u>(3 081 771)</u> | <u>-</u> | <u>24 780 632</u> |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Appendix B

(Page 1 of 2)

External loans

| | | | | Balance at 30 June 2005 R | Received during the year R | Redeemed or written off during the Year R | Transfer to trade creditors R | Balance at 30 June 2006 R |
|----------------------------|--------------------------|---------------|----------------------------|------------------------------------|-------------------------------------|---|--|------------------------------------|
| Annuity loans | | | | | | | | |
| <i>Descriptions</i> | <i>Interest rate</i> | <i>Period</i> | <i>Redemption Date</i> | | | | | |
| <i>General Expenditure</i> | | | | | | | | |
| Reseal of Streets | 15.50% | - | - | - | - | - | - | - |
| Street Pavement Block | 15.50% | - | - | 50 620 | - | - | - | 50 620 |
| Tar of Streets | 16.75% | - | - | 32 991 | - | - | - | 32 991 |
| Parking Area Town Hall | 16.75% | - | - | 2 435 | - | - | - | 2 435 |
| Reseal Tar Streets | 16.00% | - | - | - | - | - | - | - |
| Endurance Road Stand | 13.41% | - | - | 43 576 | - | - | - | 43 576 |
| Sewerage Stand 939 | 13.41% | - | - | 13 167 | - | - | - | 13 167 |
| Streetlight | 17.45% | - | - | 25 086 | - | - | - | 25 086 |
| Network Industrial | 17.50% | - | - | - | - | - | - | - |
| Network Meyerhof | 17.26% | - | - | 8 922 | - | - | - | 8 922 |
| IncaWSB105H-SS | 18.50% | - | - | - | - | - | - | - |
| IncaWSB106U | 15.50% | - | - | 11 090 | - | - | - | 11 090 |
| IncaWSB106Z | 17.77% | - | - | 8 452 | - | - | - | 8 452 |
| IncaWSB107Z | 17.00% | - | - | 19 021 | - | - | - | 19 021 |
| IncaWSB108M | 17.00% | - | - | 10 866 | - | - | - | 10 866 |
| IncaWSB111Z | 17.92% | - | - | 153 109 | - | - | - | 153 109 |
| DBSA 13122/101 | 10.25% | - | - | 51 999 | - | - | - | 51 999 |
| DBSA 13123/101 | 10.25% | - | - | 24 768 | - | - | - | 24 768 |
| DBSA 13124/101 | 13.45% | - | - | 465 474 | - | - | - | 465 474 |
| DBSA 13125/101 | 13.75% | - | - | 426 280 | - | - | - | 426 280 |
| DBSA 13126/101 | 16.38% | - | - | 264 927 | - | - | - | 264 927 |
| DBSA 13127/101 | 15.80% | - | - | 761 125 | - | - | - | 761 125 |
| DBSA 13128/101 | 13.95% | - | - | 680 994 | - | - | - | 680 994 |
| DBSA 13581/102 | 17.25% | - | - | - | - | - | - | - |
| | | | | 3 054 902 | - | - | - | 3 054 902 |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Appendix B

(Page 2 of 2)

External loans (continued)

| | | | | Balance at 30 June 2005 R | Received during the year R | Redeemed or written off during the year R | Transfer To trade creditors R | Balance at 30 June 2006 R |
|-----------------------|--------------------------|---------------|----------------------------|------------------------------------|-------------------------------------|---|--|------------------------------------|
| <i>Annuity loans</i> | | | | | | | | |
| <i>Descriptions</i> | <i>Interest rate</i> | <i>Period</i> | <i>Redemption Date</i> | | | | | |
| <i>Abattoir</i> | | | | | | | | |
| Establishment GI35 | 19.00% | - | - | 10 911 | - | - | - | 10 911 |
| <i>Water</i> | | | | | | | | |
| Water Meyerhof | 19.00% | - | - | 1 801 | - | - | - | 1 801 |
| Pipeline Symondstreet | 16.75% | - | - | 1 982 | - | - | - | 1 982 |
| Water Strand | 13.41% | - | - | 4 233 | - | - | - | 4 233 |
| Pipeline Carey Street | 16.75% | - | - | 9 004 | - | - | - | 9 004 |
| | | - | - | 17 020 | - | - | - | 17 020 |
| <i>Electricity</i> | | | | | | | | |
| Network Meyerhof 2 | 19.00% | - | - | 5 182 | - | - | - | 5 182 |
| Network SSK147 | 16.15% | - | - | 58 527 | - | - | - | 58 527 |
| Switchgear 11KV | 17.45% | - | - | 18 853 | - | - | - | 18 853 |
| Upgrading 150 | 17.15% | - | - | 59 656 | - | - | - | 59 656 |
| Electricity BRF 939 | 13.41% | - | - | 15 154 | - | - | - | 15 154 |
| 400A/420V Panel | 17.45% | - | - | 26 832 | - | - | - | 26 832 |
| Interswitch | 17.45% | - | - | 7 496 | - | - | - | 7 496 |
| Upgrading Network | 17.45% | - | - | 146 071 | - | - | - | 146 071 |
| DBSA 10571 2/11 KV | 15.75% | - | - | 1 738 911 | - | - | - | 1 738 911 |
| | | | | 2 076 682 | - | - | - | 2 076 682 |
| | | | | 5 159 515 | - | - | - | 5 159 515 |

Refer to notes 4 and 16

Nala Local Municipality

Financial statements for the year ended 30 June 2006 Analysis of fixed assets

Appendix C (Page 1 of 4)

| Service | Expenditure 2005 R | Budget 2006 R | Balance at 30 June 2005 R | Expenditure 2006 R | Redeemed, transferred or written off R | Balance at 30 June 2006 R |
|-----------------------------------|--------------------------|---------------------|------------------------------------|--------------------------|---|------------------------------------|
| Rates and general services | 10,657,205 | 4,394,000 | 95 680 219 | 613,069 | - | 95 680 219 |
| Community services | 5,649,686 | 2,214,000 | 59 040 785 | 355,707 | - | 59 396 492 |
| Disaster Management | - | - | 4 552 | - | - | 4 552 |
| Municipal Manager | - | - | 171 171 | - | - | 171 171 |
| Roads and streets | 5,059,310 | 1,251,000 | 29 713 445 | - | - | 29 713 445 |
| Head of Finance | 130,486 | 382,000 | 1 070 194 | 50 531 | - | 1 120 725 |
| Head of Corporate | - | 77,000 | - | - | - | - |
| Technical Services: Head | - | - | 30 107 | 284 223 | - | 314 330 |
| Council General | 370,709 | 220,000 | 17 256 504 | - | - | 17 256 504 |
| Traffic and security | 44,910 | 284,000 | 265 086 | - | - | 265 086 |
| Crèche | - | - | 32 525 | - | - | 32 525 |
| Camps | - | - | 1 962 | - | - | 1 962 |
| Properties | - | - | 7 618 506 | - | - | 7 618 506 |
| Street Lighting | - | - | 1 393 004 | - | - | 1 393 004 |
| Post Office Monyakeng | - | - | 400 | - | - | 400 |
| Airport | - | - | 38 595 | - | - | 38 595 |
| Workshop | - | - | 106 407 | - | - | 106 407 |
| Unsold Erves | - | - | 891 907 | - | - | 891 907 |
| Special projects - LED | 16,899 | - | 419 048 | - | - | 419 048 |
| Special projects - | - | - | - | - | - | - |
| Youth Development | - | - | 27 372 | 20 953 | - | 48,325 |
| Subsidised services | 5,890,050 | 3,324,000 | 8 491 544 | 151 979 | - | 8 763 705 |
| Cemetery | 81,567 | - | 120 597 | 151 979 | - | 354 143 |
| Ambulance | - | - | 27 407 | - | - | 27 407 |
| Civil and buildings | 8,205 | 350,000 | 1 859 562 | - | - | 1 867 767 |
| Fire Brigade | - | - | 80 886 | - | - | 80 886 |
| Library | - | - | 492 220 | - | - | 492 220 |
| Sports and recreation | 30,410 | 125,000 | 5 328 913 | - | - | 5 359 323 |
| Health | - | 80,000 | 581 959 | - | - | 581 959 |
| Balance carried over | 5,769,868 | 2,769,000 | 67 652 511 | 507 686 | - | 68 160 197 |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Appendix C (Page 2 of 4)

Analysis of fixed assets (continued)

| Expenditure 2005 R | Service | Budget 2006 R | Balance at 30 June 2005 R | Expenditure 2006 R | Redeemed, transferred or written off R | Balance at 30 June 2006 R |
|--------------------------|--------------------------------|---------------------|------------------------------------|--------------------------|---|------------------------------------|
| 5 769 868 | <i>Balance brought forward</i> | 2 769 000 | 67 652 511 | 507 686 | - | 67 652 511 |
| 4 887 337 | <i>Economic services</i> | 520 000 | 28 027 708 | 105 384 | - | 28 027 708 |
| 71 235 | Cleansing | - | 3 360 687 | - | - | 3 360 687 |
| 4 816 102 | Sanitation | 500 000 | 23 714 140 | - | - | 23 714 140 |
| - | Housing | 20 000 | 952 881 | 105 384 | - | 952 881 |
| 435 456 | <i>Trading services</i> | 1 105 000 | 48 792 591 | - | - | 48 792 591 |
| 120 891 | Electricity | 1 070 000 | 28 585 153 | - | - | 28 585 153 |
| 314 565 | Water | 35 000 | 20 207 438 | - | - | 20 207 438 |
| 11 092 661 | Total fixed assets | 4 394 000 | 144 472 810 | 613 070 | - | 145 085 880 |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Appendix C

Page 3 of 4)

Loans redeemed and other capital receipts

| Expenditure 2005 R | Service | Balance at 30 June 2005 R | Expenditure 2006 R | Redeemed, transferred or written off R | Balance at 30 June 2006 R |
|--------------------------|--|------------------------------------|--------------------------|---|------------------------------------|
| 11 092 661 | Total fixed assets | 144 472 810 | 613 070 | - | 144 472 810 |
| (11 327 444) | Less: Loans redeemed and other capital receipts | (138 927 856) | - | - | (138 927 856) |
| | General expenditure | | | | |
| (733 478) | Contributions from income – General | (3 405 226) | - | - | (3 405 226) |
| (199 870) | External Loans – General | (39 796 541) | - | - | (39 796 541) |
| - | Erven Fund – General | (1 137 356) | - | - | (1 137 356) |
| (5 077 016) | Government Fund – General | (58 621 293) | - | - | (58 621 293) |
| - | Capital Reserve – General | (1 662 714) | - | - | (1 662 714) |
| - | Reserves – General | (140 992) | - | - | (140 992) |
| | Abattoir | | | | |
| - | External Loans – Abattoir | (664 326) | - | - | (664 326) |
| - | Capital Reserve – Abattoir | 726 262 | - | - | 726 262 |
| (6 010 364) | Balance carried over | (104 702 186)) | - | - | (104 702 186) |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Loans redeemed and other capital receipts (continued)

Appendix C (Page 4 of 4)

| Expenditure Service 2005 R | Balance at 30 June 2005 R | Expenditure 2006 R | Redeemed, transferred or written off R | Balance at 30 June 2006 R |
|---|---------------------------------|-----------------------|---|------------------------------------|
| <i>Balance brought forward</i> | (6 010 364) | | | (104 702 186) |
| <i>Electricity</i> | | | | |
| Contributions from income – Electricity | (120 890) | | | (742 586) |
| External Loans – Electricity | (17 740) | | | (1 515 522) |
| Erven Fund – Electricity | - | | | (98 024) |
| Capital Reserve – Electricity | - | | | (110 073) |
| Reserves – Electricity | - | | | (17 096) |
| Government fund – Electricity | - | | | (13 283 247) |
| <i>Water</i> | | | | |
| Contributions from income – Water | (1 000) | | | (106 776) |
| External Loans – Water | (17 175) | | | (435 083) |
| Erven Fund – Water | - | | | (35 480) |
| Capital Reserve – Water | - | | | (70 954) |
| Reserves – Water | - | | | (10 606) |
| Government fund – Water | (5 160 275) | | | (17 800 223) |
| (234 783) Net fixed assets | | | | 5 544 954 |

Nala Local Municipality**Financial statements***for the year ended 30 June 2006***Appendix D****Analysis of operating income and expenditure**

| Actual 2005 R | | Actual 2006 R | Budget 2006 R |
|---------------------|--------------------------------|---------------------|---------------------|
| Income | | | |
| 23 171 636 | Grants and subsidies | 35 987 000 | 30 437 000 |
| 23 171 636 | Central Government | 35 987 000 | 30 437 000 |
| - | Regional Government | - | - |
| 68 709 404 | Operating income | 91 926 803 | 37 402 868 |
| 11 261 528 | Assessment rates | 10 917 693 | - |
| 16 139 270 | Sale of electricity | 702 607 | 17 000 060 |
| 15 693 131 | Sale of water | 150 754 | 6 519 020 |
| 13 335 705 | Refuse | 1 335 705 | 8 087 326 |
| 9 438 329 | Sewerage | 108 163 | 5 796 462 |
| 2 841 441 | Other services charged | 78 711 881 | - |
| 157 613 | Interest received | - | - |
| <u>92 038 653</u> | | <u>127 913 803</u> | <u>67 839 868</u> |
| Expenditure | | | |
| 32 492 039 | Salaries, wages and allowances | 36 729 428 | 33 692 167 |
| 40 778 625 | General expenses | 67 087 606 | 53 241 948 |
| 9 716 820 | Purchase of electricity | 11 298 091 | 11 400 000 |
| 12 871 148 | Purchase of water | 14 165 213 | 10 700 000 |
| 18 190 657 | Other expenses | 41 624 302 | 31 141 948 |
| 1 401 880 | Repairs and maintenance | 1 576 389 | 2 661 400 |
| 3 005 195 | Capital charges | 3 005 195 | 1 238 404 |
| 711 086 | Contribution to fixed assets | 613 000 | 562 378 |
| 20 646 247 | Contributions | 29 109 876 | 26 976 180 |
| 99 035 072 | Gross expenditure | 138 121 494 | 118 372 477 |
| 22 173 | Less: Amounts charged out | 245 656 | 345 790 |
| <u>99 057 245</u> | Net expenditure | <u>138 367 150</u> | <u>118 718 267</u> |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Detailed income statement

Appendix E

(Page 1 of 2)

| Actual revenue 2005 R | Actual expenditure 2005 R | Surplus/ (deficit) 2005 R | | Actual Revenue 2006 R | Actual expenditure 2006 R | Surplus/ (deficit) 2006 R | Budget surplus/ (deficit) 2006 R |
|--------------------------------|------------------------------------|------------------------------------|-----------------------------------|--------------------------------|------------------------------------|------------------------------------|--|
| 42 348 008 | 64 386 034 | (22 038 026) | Rates and general Services | 54 542 380 | 110 942 654 | (56 400 274) | (7 262 629) |
| 14 214 508 | 36 075 528 | (21 861 020) | Community services | 22 337 322 | 43 695 153 | (21 357 831) | (10 075 693) |
| 198 775 | 317 779 | (119 004) | Cemetery | 242 953 | 434 529 | (191 576) | 197 764 |
| (6 763) | 1 544 504 | (1 551 267) | Civil and buildings | 30 153 | 1 268 398 | (1 238 245) | (869 941) |
| 11 261 529 | 150 899 | 11 110 630 | Rates, taxes and levies | 10 917 693 | - | 10 917 693 | - |
| - | 93 041 | (93 041) | Stores | - | - | - | - |
| - | 705 965 | (705 965) | Personnel | - | 345 600 | (345 600) | - |
| 900 | 43 035 | (42 135) | management | - | 1 811 | (1 811) | - |
| 14 718 | 195 192 | (180 474) | Aerodrome | 6 284 | 86 980 | (80 696) | 373 358 |
| 9 558 | 1 653 122 | (1 643 564) | Properties | 11 205 | 2 492 036 | (2 480 831) | 1 682 834 |
| 229 798 | 7 105 322 | (6 875 524) | Administration | 1 229 966 | 5 995 583 | (4 765 618) | 8 254 |
| - | 1 825 372 | (1 825 372) | Finance services: | - | 2 369 612 | (2 369 612) | (1 972 107) |
| 65 954 | 11 320 006 | (11 254 052) | Head | 3 718 907 | 11 836 004 | (8 117 097) | (10 112 191) |
| 1 786 | - | 1 786 | Municipal Manager | 2 617 | - | 2 617 | (717) |
| 117 962 | 1 740 335 | (1 622 373) | Council General | 115 080 | 2 379 080 | (2 224 000) | 4 107 031 |
| 588 045 | 4 895 051 | (4 307 006) | Licences | 1 476 074 | 2 578 348 | (1 102 274) | 764 127 |
| 6 519 | 55 659 | (49 140) | Traffic and security | 9 915 | 610 343 | (600 428) | - |
| - | 384 584 | (384 584) | Roads and streets | 5 403 | - | 5 403 | - |
| - | 181 039 | (181 039) | Technical services: | - | 62 548 | (62 548) | 113 635 |
| - | 29 201 | (29 201) | Head | - | - | - | - |
| - | 811 713 | (811 713) | Corporate Services: | - | 956 728 | (956 728) | 234 132 |
| 2 674 | 487 021 | (484 347) | Street Lighting | - | 158 932 | (158 932) | 1 107 841 |
| 3 795 | 114 489 | (110 694) | Grants and donations | 3 930 | 216 899 | (212 969) | - |
| 1 719 258 | 2 113 135 | (393 877) | Workshop | 1 223 551 | 9 935 727 | (8 712 176) | (6 088 951) |
| - | 15 269 | (15 269) | Labour relations | 1 144 380 | 1 325 358 | (180 978) | - |
| - | 218 273 | (218 273) | Marketing and communications | 2 159 220 | 640 657 | 1 526 077 | 379 238 |
| - | 75 522 | (75 522) | Sports and recreation | - | 7 500 | (7 500) | - |
| 17 803 343 | 17 022 113 | 781 230 | Special projects-LED | 25 261 714 | 53 812 313 | (28 550 599) | 13 637 791 |
| 1 397 509 | 1 106 620 | 290 889 | Special projects-Other | 3 601 779 | 1 063 587 | 2 538 193 | 847 346 |
| 5 642 | 194 689 | (189 047) | Training and selection | 361 823 | 245 747 | 116 076 | (28 640) |
| 14 224 795 | 11 529 116 | 2 695 679 | Subsidised services | 16 439 867 | 51 757 121 | (35 317 253) | - |
| 2 175 397 | 3 583 154 | (1 407 757) | Library | - | 710 440 | (710 440) | 455 737 |
| - | 608 534 | (608 534) | Fire Brigade | 4 858 245 | 35 419 | 4 822 826 | 12 363 348 |
| 10 330 157 | 11 288 393 | (958 236) | Sanitation and night soil | 6 943 344 | 13 435 188 | (6 491 844) | (10 824 727) |
| 2 738 | 591 010 | (588 272) | Health | 7 858 | 1 495 355 | (1 487 497) | (655 526) |
| 10 327 419 | 10 697 383 | (369 964) | Cleaning and waste | 6 935 486 | 11 939 833 | (5 004 347) | (10 169 201) |
| 42 348 008 | 64 386 034 | (22 038 026) | Economic service | 54 542 380 | 110 942 654 | (56 400 274) | (7 262 629) |
| | | | Housing | | | | |
| | | | Sewerage and purification | | | | |
| | | | Balance carried over | | | | |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Appendix E

(Page 2 of 2)

Detailed income statement (continued)

| Actual Revenue 2005 R | Actual expenditure 2005 R | Surplus/ (deficit) 2005 R | | Actual revenue 2006 R | Actual Expenditure 2006 R | Surplus/ (deficit) 2006 R | Budget surplus/ (deficit) 2006 R |
|--------------------------------|------------------------------------|------------------------------------|---|--------------------------------|------------------------------------|------------------------------------|--|
| 42 348 008 | 64 386 034 | (22 038 026) | Rates and general services | 54 542 380 | 110 942 654 | (56 400 274) | (1 378 631) |
| 49 690 645 | 34 671 211 | 15 019 434 | Trade services | 73 371 423 | 27 424 495 | 45 946 928 | 1 407 526 |
| 22 322 545 | 14 183 247 | 8 139 298 | Electricity | 31 529 847 | 17 113 626 | 14 416 222 | 989 205 |
| 27 368 100 | 20 487 964 | 6 880 136 | Water | 41 841 575 | 10 310 870 | 31 530 706 | 418 321 |
| <u>92 038 653</u> | <u>99 057 245</u> | <u>(7 018 592)</u> | Total | <u>127 913 803</u> | <u>138 367 150</u> | <u>(10 453 347)</u> | <u>28 895</u> |
| | | 560 585) | Appropriation for the year (Refer note 17) | | | - | |
| | | (6 458 007) | Net deficit for the year | | | (10 453 347) | |
| | | (25 645 530) | Retained deficit at the beginning of the year | | | (32 103 537) | |
| | | (32 103 537) | Accumulated deficit at the end of the year | | | (42 556 884) | |

Nala Local Municipality

Financial statements

for the year ended 30 June 2006

Appendix F (Page 1 of 2)

Statistical information

| | Note | 2006 | 2005 |
|--|------|---------------------|---------------------|
| a) General services | | | |
| i) Population | | 134 512 | 109 890 |
| ii) Valuation of property – Residential | 13 | R244 702 750 | R244 702 750 |
| Valuation of property – Commercial | 13 | R54 302 188 | R54 302 188 |
| Valuation of property – State | 13 | R40 426 621 | R40 426 621 |
| Valuation of property – Municipal | 13 | - | - |
| Last valuation done | | 1 September 2003 | 1 September 2003 |
| iii) Number of residential properties | | 17 493 | 17 493 |
| Number of commercial properties | | 565 | 565 |
| iv) Number of agricultural properties | | 1 528 | 1 528 |
| Number of industrial properties | | 34 | 34 |
| v) Assessment rates – Land | | R330 631 107 | R47 269 523 |
| Assessment rates – Improvements | | R771 570 272 | R279 874 361 |
| vi) Income from assessment rates | 13 | R11 261 528 | R11 261 528 |
| b) Electricity statistics | | | |
| i) Number of users | | 12 041 | 12 041 |
| ii) Units bought | | 61 607 579 | 61 607 579 |
| iii) Units sold | | 44 550 092 | 44 550 092 |
| iv) Units lost in distribution (ii) and (iii) | | 17 057 487 | 17 057 487 |
| v) Units lost in distribution as percentage of (ii) | | 28% | 28% |
| vi) Cost per unit bought (cents) | | 19c | 19c |
| vii) Loss in distribution (iv), (vi) and (x) | | R3 240 922-53 | R3 240 922-53 |
| viii) Cost per unit sold (operating expenditure – (iii) (cents)) | | 42c | 42c |
| ix) Income per unit sold (operating income – (iii) (cents)) | | 46c | 46c |
| Domestic | | | |
| - Basic | | R31-93 | R31-93 |
| - Marginal | | 30c | 30c |
| Commercial | | | |
| - Basic | | R103-86 | R103-86 |
| - Marginal | | 30c | 30c |
| - Administration fee | | R119-04 | R119-04 |
| x) Number of street lights | | 43 High mast | 43 High mast |
| | | 6 671 Street lights | 6 671 Street lights |

Nala Local Municipality**Financial statements***for the year ended 30 June 2005***Appendix F**
(Page 2 of 2)**Statistical information (continued)**

| | 2006 | 2005 |
|--|------------|------------|
| c) Water statistics | | |
| i) Number of users | 17 301 | 17 301 |
| ii) Units bought | 2 349 530 | 2 349 530 |
| iii) Units sold | 1 788 196 | 1 788 196 |
| iv) Units lost in distribution (ii) and (iii) | 561 334 | 561 334 |
| v) Units lost in distribution as percentage of (ii) | 24% | 24% |
| vi) Cost per unit bought | R3-39 | R3-39 |
| vii) Loss in distribution (iv) and (vi) | R1 902 922 | R1 902 922 |
| viii) Cost per unit sold (operating expenditure – (iii)) | R11-46 | R11-46 |
| ix) Income per unit sold (operating income – (iii)) | R12-48 | R12-48 |
| d) Sundry statistics | | |
| i) Area (hectares) | N/A | N/A |
| ii) Library books issued | 75 989 | 75 989 |
| iii) Total personnel in service of Local Council | 400 | 378 |

